



**DETERMINANTS THAT AFFECT INFLATION RATE IN
MALAYSIA: MONEY SUPPLY, INTEREST RATE, EXCHANGE
RATE AND OIL PRICE (CRUDE)**

**BACHELOR OF BUSINESS ADMINISTRATION
WITH HONOURS (FINANCE)
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
MELAKA CAWANGAN
KAMPUS BANDARAYA**

**SITI RAIDAH BINTI AZMEE 2016734543
NORSAFRINAH BINTI AB GHANI 2016328997**

DECEMBER 2018

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RATE AND OIL PRICE (CRUDE)

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AND

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2016328997

Submitted in Partial
Fulfillment of the
Requirement for the
Bachelor of Business Administration with
Honours (Finance)

FACULTY OF BUSINESS
MANAGEMENT
UNIVERSITI TEKNOLOGI
MARA MELAKA
CAWANGAN
KAMPUS BANDARAYA

DECEMBER 2018

DECLARATION OF ORIGINAL WORK



**BACHELOR OF BUSINESS ADMINISTRATION
WITH HONOURS (FINANCE)
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
“DECLARATION OF ORIGINAL WORK”**

We, Siti Raidah Binti Azmee (960414045208) and Norsafarinah Binti Ab Ghani
(960825015994)

Hereby, declare that:

- This work has not previously been accepted in substance for any degree, locally or overseas, and is not being concurrently submitted for this degree or any other degrees.
- This project-paper is the result of our independent work and investigation, except where otherwise stated.
- All verbatim extracts have been distinguished by quotation marks and sources of my information have been specifically acknowledged.

Signature: _____

(Siti Raidah binti Azmee)

Date: _____

Signature: _____

(Norsafarinah Binti Ab Ghani)

Date: _____

LETTER OF SUBMISSION

Madam Rohaiza Binti Kamis,
Bachelor of Business Administration (Hons.) Finance
Faculty of Business Management
Universiti Teknologi Mara
(UiTM) Cawangan Melaka
Kampus Bandaraya 75300
Melaka

Dear Madam,

Submission of Final Project Paper

Attached is the project paper titled “**A Study on Determinants That Affect Inflation Rate in Malaysia: Money Supply, Interest Rate, Exchange Rate and Oil Price (crude)**” to fulfill the requirement needed by the Faculty of Business Administration, Universiti Teknologi MARA (UiTM).

Thank You.

Sincerely,

Name: Siti Raidah Binti Azmee
Matrix Number: 2016734543

Name: Norsafrinah Binti Ab Ghani
Matrix Number: 2016328997

ABSTRACT

Inflation has always been continues issues over the time in Malaysia. The objective of this study is to identify the significant relationship between macroeconomic variables and inflation rate in Malaysia. This study is conducted to determine the relationship between independent variables which are money supply, interest rate, exchange rate and oil price (crude) towards inflation rate in Malaysia. The monthly time series data were obtained from Thomson Reuters DataStream and this study covers the period between October 2009 until May 2018. The tools or technique that have been used and applied to estimate the relationship between dependent variable and independent variables is Multiple Linear Regression Model. Overall findings based on Multiple Linear regression, the result concludes that money supply has statistically significant impact towards inflation rate in Malaysia with negative correlation. Meanwhile, interest rate also has a significant relationship towards inflation rate in Malaysia with a positive correlation. However, exchange rate and oil price (crude) were found to be insignificant relationship towards inflation rate in Malaysia. Theoretically, exchange rate would bring positive impact towards inflation rate, but this paper provides different results where these independent variables have negative correlation with inflation rate. Based on the results, recommendations are made for policymakers and industry to help them in mapping out suitable policies that will help them in the future.